

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Manistee Township	County Manistee
Audit Date 3/31/05	Opinion Date 7/17/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Wilson Ward CPA Firm			
Street Address PO Box 205		City Interlochen	State MI
		ZIP 49643	
Accountant Signature <i>Wilson Ward CPA Firm</i>			Date 9/30/05

MANISTEE TOWNSHIP
MANISTEE , MICHIGAN

Audit Report

For Year Ended
March 31, 2005

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

WILSON, WARD CPA FIRM

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668

Fax: (231) 276-7687

E-mail: wilson@wilsonward.com

July 14, 2003

Mr. John W Anderson
Supervisor
Manistee Township
Manistee, MI 49660

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Manistee Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Manistee Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Manistee Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Manistee Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

With each passing year the improvements in the mechanized accounting system continue. The increase in efficiency and information dissemination was very apparent. With continuation of increased utilization of the accounting system and minor changes discussed during field work, this system will allow for enhanced reporting and financial management.

The Treasurers office, once again, has excellent records, with information clearly shown and readily available. In the test of controls, all internal controls are being used wisely with double checks on all amounts, distributions and deposits.

This information is intended solely for the use of the Manistee Township Board and management of Manistee Township and is not intended to be and should not be used by anyone other than those specific parties.

Sincerely,

Wilson Ward CPA Firm

Wilson, Ward CPA Firm

MANISTEE TOWNSHIP
TABLE OF CONTENTS

Page No.

1	<u>INTRODUCTORY SECTION</u>
2	Report on Compliance and on Internal Control
3	<u>FINANCIAL SECTION</u>
4-5	Independent Auditor's Report
6-7	Management Discussion and Analysis
8	Government Wide Statement of Net Assets
9	Government Wide Statement of Activities
10	Governmental Funds Balance Sheet
	Reconciliation of Government Wide and Governmental Funds Balance Sheets
11	Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
	Reconciliation of Government Wide Statement of Activities with Government
	Funds Statements
12-17	Notes to Financial Statements
18	<u>SUPPLEMENTAL DATA SECTION</u>
19	<u>General Fund</u>
20	Balance Sheet
21-23	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget vs. Actual
24	<u>Special Revenue Fund</u>
25	Balance Sheet
26	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget vs. Actual

INTRODUCTORY SECTION

WILSON, WARD CPA FIRM

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668
Fax: (231) 276-7687
E-mail: wilson@wilsonward.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Manistee Township Board
Manistee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Manistee Township, Manistee County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Manistee Township's basic financial statements and have issued our report thereon dated July 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that we reported to management of Manistee Township in a separate letter dated July 14, 2005.

This report is intended solely for the information and use of the audit committee, management, township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
July 14, 2005

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Manistee Township Board
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Manistee Township, Manistee County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manistee Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manistee Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2005, on our consideration of the Manistee Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manistee Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson Ward CPA Firm

Interlochen, MI
July 14, 2005

Management's Discussion and Analysis

MANISTEE TOWNSHIP

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Village's combined net assets increased 9.9% from a year ago - increasing from \$1,805,142 to \$1,984,073. While there was a significant increase in real Capital Assets there was a commensurate loss due to the change in accounting policy of recording only assets valued at greater than \$5,000 and the inclusion of depreciation. The schedules reflecting this year's status are found on page 7.

General Government expenses were approximately \$64,138 below the budgeted amount during the year. This was anticipated given the known road construction cost decrease. This was a substantial reduction from the initial budget.

The Township's Funds

Our analysis of the Village's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Village's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

General Fund Budgetary Highlights

Township departments overall stayed within budget, resulting in total expenditures being \$64,138 below budget.

Management's Discussion and Analysis

Capital Asset and Debt Administration

As of March 31, 2005, the Township had \$498,099 invested in a broad range of capital assets, including buildings and fire equipment. In addition, the Township has invested significantly in major and local roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation before considering new property additions.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 723-6507.

MANISTEE TOWNSHIP
Government Wide Statement of Net Assets
As Of March 31, 2005

	Total
<u>Assets</u>	
Cash & Investments	\$1,711,520
Accounts Receivable	9,901
Accrued Interest Receivable	10,136
Tax Fund	7,664
Prepaid Insurance	8,486
Net Assets	<u>256,295</u>
Total Assets	<u><u>2,004,002</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	8,237
Retirement Payable	1,791
Deferred Taxes Receivable	9,901
Due to Other Funds/Agencies	0
Note Payable	<u>0</u>
Total Liabilities	19,929
Fund Equity	
Fund Balance - Unreserved	<u>1,984,073</u>
Total Fund Equity	<u><u>1,984,073</u></u>
Total Liabilities and Fund Balance	<u><u>\$2,004,002</u></u>

MANISTEE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities
Primary government						
Governmental activities:						
Legislative	\$77,222	\$0	\$0	\$0	-\$77,222	-\$77,222
General government	88,778	19,893			(68,885)	(68,885)
Public safety	49,400				(49,400)	(49,400)
Public works	112,747				(112,747)	(112,747)
Health and Welfare	0				0	0
Community and Economic Development	0				0	0
Recreation and Culture	0				0	0
Depreciation	16,686				(16,686)	(16,686)
Interest on Long Term Debt	0				0	0
Total Governmental Activities	344,833	19,893	0	0	(324,940)	0
Business Type Activities						
Enterprise funds	0	0			0	0
Total Primary Government	344,833	19,893	0	0	(324,940)	0
Component Unit						
EDC	0	0	0			0

General revenues:

Taxes			
Property Taxes-general	220,360	0	220,360
Property Taxes-debt service	0		0
State-Shared Revenues	203,134		203,134
Unrestricted Investment Earnings	18,030	0	18,030
Franchise taxes	5,603		5,603
Contributions	0		0
Miscellaneous	56,744	0	56,744
Transfers	0		0
Total General Revenues-Special Items and Transfers	503,871	0	503,871
Changes in Net Assets	178,931	0	178,931
Net Assets - Beginning	1,805,142	0	1,805,142
Net Assets - Ending	\$1,984,073	\$0	\$1,984,073

Net Income Per Governmental Balance Sheet	195,617
Less Depreciation	16,686
Net Income Per Statement of Activities	178,931

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MANISTEE TOWNSHIP
Governmental Funds Balance Sheet
As Of March 31, 2005

	<u>Governmental Fund Types</u>		
	General	Non Major Funds	Total (Memo Only)
<u>Assets</u>			
Cash & Investments	\$1,709,551	\$1,969	\$1,711,520
Accounts Receivable	9,901	0	9,901
Accrued Interest Receivable	10,136	0	10,136
Tax Fund	7,664	0	7,664
Prepaid Insurance	8,486	0	8,486
Buildings & Improvements	0	0	0
Machinery & Equipment	0	0	0
Total Assets	<u>1,745,738</u>	<u>1,969</u>	<u>1,747,707</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable	8,237	0	8,237
Retirement Payable	1,791	0	1,791
Deferred Taxes Receivable	9,901	0	9,901
Due to Other Funds/Agencies	0	0	0
Note Payable	0	0	0
Total Liabilities	<u>19,929</u>	<u>0</u>	<u>19,929</u>
Fund Equity			
Fund Balance - Unreserved	<u>1,725,809</u>	<u>1,969</u>	<u>1,727,778</u>
Total Fund Equity	<u>1,725,809</u>	<u>1,969</u>	<u>1,727,778</u>
Total Liabilities and Fund Balance	<u>1,745,738</u>	<u>1,969</u>	<u>1,747,707</u>
Fund Balance Per All Government Funds			1,727,778
Add Net Assets			<u>256,295</u>
Fund Balance Per Balance Sheet			<u>\$1,984,073</u>

MANISTEE TOWNSHIP
Government Wide Statement of Activities
All Governmental Fund Types
For the Year Ended March 31, 2005

	<u>Governmental Fund Types</u>		
<u>Revenues</u>	General Fund	Special Revenue	Total (Memo Only)
Taxes	\$189,949	\$0	\$189,949
Admin Fees	30,411		30,411
Licenses	3,658		3,658
State Grants	203,134	0	203,134
Charges for Services	19,893		19,893
Interest & Rentals	42,428		42,428
Other Revenues	34,291		34,291
Total Revenues	<u>523,764</u>	<u>0</u>	<u>523,764</u>
<u>Expenditures</u>			
Current			
Legislative	77,222	0	77,222
General Government	88,778		88,778
Public Safety	48,380	1,020	49,400
Public Works	112,747		112,747
Legal Fees	0		0
Total Expenditures	<u>327,127</u>	<u>1,020</u>	<u>328,147</u>
Excess Revenue (Expenditures)	196,637	(1,020)	195,617
Fund Balance - Beginning of Year	1,529,172	2,989	1,532,161
Prior Period Adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - End of Year	<u>\$1,725,809</u>	<u>\$1,969</u>	<u>\$1,727,778</u>

Manistee Township

Notes to Financial Statements

March 31, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manistee Township is a general law Township located in Manistee County. The governing body of the Township is the Township Board which is composed of the supervisor, the clerk, the treasurer and two trustees. The Township provides the approximately 3,000 residents with fire protection, road maintenance, trash removal, street lighting and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds and account groups. The account groups include all fixed assets and all long term debt.

The accounting policies of Manistee Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas where in the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

C. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable. Specific types of tax revenue are reported as deferred revenue which are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

D. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the Balance Sheets and operating statements measure increases and decreases in these net current assets. On the GASB 34 statements all assets and liabilities are presented in the Government Wide Statements

G. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlling during the formal budget approval process as original and as amended by the Township Board. Line items contained within the original budget are appropriated and amended only on a activity departmental basis.

H. Fixed Assets

All fixed assets are recorded in the Balance Sheet of the Government Wide Statements. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The full accrual basis makes provision for the depreciation of these assets. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township. Depreciation is based on straight line depreciations with lives from 10 to 50 years.

I. Long Term Debt

The Township has no long term debt

J. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the Township Treasurer. The amount collected for this fiscal year are:

Administrative Fee	\$ 30,411
Township Tax	171,956

The State Equalized Value (SEV) and taxable values are:

	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
SEV	\$ 133,911,500	\$ 15,016,700	\$ 148,928,200
Tax. Value	\$ 77,970,104	\$ 15,016,700	\$ 92,986,804

The millage for the current year is:

Township Operating	1.4599	Admin Fee	1.000
--------------------	--------	-----------	-------

NOTE 2 - BUDGET APPROPRIATIONS

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Given the amendments actually approved there are no material budget variances. Information on budget categories has been included for information only. The budget appropriation is for department only and hence is the legal controlling amount.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Manistee Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS

The Township had \$954,933 in certificates of deposit with local banks, of which \$100,000 is insured. This would leave balances of cash as follows:

Deposits	Per Bank	Carrying Value
Insured & Uncoilateralized-General	\$ 55,075	\$ 55,075
Insured and Uncollateralized-Tax	7,664	9,544

Funds in Municipal Funds Not Weighted as to Risk- LUG \$ 755,593

In addition, the Township has \$100 in petty cash.

NOTE 5 - PROPERTY TAXES

As of March 31, 2005, \$14,821.62 of property taxes were delinquent.

NOTE 6 - INTERFUND ACCOUNTS

There were no inter-fund loans or advances during the audit year. The only interfund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

NOTE 7 - INVENTORIES

No material parts or supply inventories are maintained by the Township.

NOTE 8 - FIXED ASSETS

Manistee Township maintains fixed asset detail records. These amounts were adjusted to account for all assets with a value in excess of \$5,000. All depreciation is computed using straight line with lives of 30-50 years for buildings, 15 years for Equipment and 10-25 years for fire vehicles. Detailed information concerning these accounts is as follows:

	04/01/04			03/31/05
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Buildings	\$268,412	\$0	\$0	\$268,412
Equipment	35,600	0	0	35,600
Fire Vehicles	211,877	0	0	211,887
Total Fixed Assets	\$515,899	\$0	\$0	\$515,899

Accumulated Depreciation

	04/01/03			03/31/04
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Buildings	\$102,468	\$5,644	\$0	\$108,112
Equipment	11,454	1,187	0	12,640
Fire Vehicles	125,687	9,855	0	135,543
Total Fixed Assets	\$239,609	\$16,686	\$0	\$256,295

NOTE 9 - PENSION PLANS

Manistee Township's employees participate in either of two plans. One is offered by Municipal Retirement Systems, Inc., and the other by ManuLife. Both are plans offered under IRS Code Section 401(a).

Municipal Retirement Systems Inc.:

Employees are eligible at age 18 and up to 75, with no restriction on time of service. Vesting is 100% immediate. All funds deposited belong to the employee in the event of death, disability, retirement or job severance. The Township contributed 8% of the employee's annual compensation. Employee's contribute 3% of his/her annual compensation. Municipal Retirement System Inc. provides administrative services for the plan at a current cost of \$155.00 per year. During the plan year ended March 31, 2005, payments made were \$270. All required contributions have been made.

Manufacturers Life:

Employees are eligible at age 21 up to age 75, with no restriction on time of service. Employees are 100% vested after 20 months of service. Funds become payable in the event of termination of employment, retirement, disability or death. ManuLife provides administrative services for the plan. The Township contributes 75% of the current cost and 100% of past service cost at \$1.50 per benefit month for each year of eligible past service, 10 year maximum. The contributions for the year ended March 31, 2005 were \$4,162 for the employer and \$204 for the employees for a total contribution of \$4,366. All required contributions were made.

NOTE 10 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities on the part of the Township.

NOTE 11 - COMPENSATED ABSENCES

The Township does not compensate for vacation or sick time and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

NOTE 12 - RISK MANAGEMENT

All risk management is done through the use of commercial insurance.

SUPPLEMENTAL DATA SECTION

General Fund

MANISTEE TOWNSHIP

Balance Sheet
General Fund
As Of March 31, 2005

Assets

Cash & Investments	\$1,709,551
Accounts Receivable Taxes	9,901
Accounts Receivable	10,136
Prepaid Insurance	8,486
Tax Fund	7,664
Total Assets	<u>1,745,738</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	8,237
Retirement Payable	1,791
Deferred Taxes	9,901
Due to T&A Fund	0

Fund Equity

Fund Balance	<u>1,725,809</u>
--------------	------------------

Total Liabilities and Fund Equity	<u>\$1,745,738</u>
-----------------------------------	--------------------

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2005

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Current Property Taxes	\$75,000	\$75,000	\$176,641	\$101,641
Delinquent Taxes	12,000	12,000	13,308	1,308
Licenses and Permits	6,900	6,900	3,658	(3,242)
Garbage Millage	0	0	0	0
State Shared Revenues	175,000	175,000	203,134	28,134
Admin Fees	20,000	20,000	30,411	10,411
Earned Interest	26,000	26,000	18,030	(7,970)
Rents and Royalties	5,000	5,000	24,398	19,398
Service Revenue	4,000	4,000	19,893	15,893
Refunds	0	0	19	19
Little River Band	0	0	33,422	33,422
Other Income	500	500	850	350
Total Revenues	324,400	324,400	523,764	199,364
Expenditure				
Legislative				
Township Board:				
Salaries and Wages	8,800	8,800	8,730	70
Pension	5,300	5,300	4,366	934
Office Supplies	25,000	25,000	15,048	9,952
Professional Services	30,000	30,000	10,564	19,436
Insurance and Bonds	25,000	25,000	19,448	5,552
Education and Dues	6,000	6,000	5,821	179
MRA/Support Contract	10,000	10,000	350	9,650
Misc	16,400	16,400	12,895	3,505
Capital Outlay	0	0	0	0
Total Township Board	126,500	126,500	77,222	49,278
General Government:				
Economic Development	10,000	10,000	1,490	8,510
Township Supervisor:				
Salaries and Wages	9,800	9,800	9,800	0
Mileage and Travel	1,800	1,800	1,800	0
Total Township Supervisor	11,600	11,600	11,600	0
Elections:				
Salaries and Wages	4,000	4,000	1,958	2,042
Office Supplies	1,000	1,000	617	383
Total Elections	\$5,000	\$5,000	\$2,575	\$2,425

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Assessor:				
Professional Services	\$30,000	\$30,000	\$19,500	\$10,500
Professional Supplies	5,000	5,000	700	4,300
Total Assessor	35,000	35,000	20,200	14,800
Clerk:				
Salaries and Wages	14,650	14,650	14,625	25
Deputy Clerk	1,200	1,200	1,054	146
Total Clerk	15,850	15,850	15,679	171
Board of Review:				
Salaries and Wages	1,200	1,200	360	840
Pension	125	125	57	68
Total Board of Review	1,325	1,325	417	908
Treasurer:				
Salaries and Wages	12,300	12,300	12,300	0
Deputy Treasurer	5,000	5,000	4,054	946
Tax Collection Assistant	3,000	3,000	0	3,000
Total Treasurer	20,300	20,300	16,354	3,946
Township Hall and Grounds:				
Salaries and Wages	8,500	8,500	7,136	1,364
Public Utilities	7,400	7,400	6,701	699
Maintenance and Repairs	15,000	15,000	3,895	11,105
Telephone	3,000	3,000	2,731	269
Total Township Hall	33,900	33,900	20,463	13,437
Total General Government	132,975	132,975	88,778	44,197
Public Safety:				
Fire Protection				
Salaries & Wages	13,350	13,350	8,072	5,278
Supplies	13,150	13,150	7,847	5,303
Gas/Oil	7,500	7,500	5,648	1,852
Education and Training	1,500	1,500	30	1,470
Insurance	4,500	4,500	2,296	2,204
Public Utilities	6,125	6,125	4,242	1,883
Telephone	900	900	612	288
Capital Outlay	0	0	0	0
Fire Truck and Equipment	25,000	25,000	1,714	23,286
Total Fire Protection	\$72,025	\$72,025	\$30,461	\$41,564

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Planning and Zoning:				
Salaries and Wages	\$6,500	\$6,500	\$5,488	\$1,012
Retirement	0	0	0	0
Education and Dues	300	300	70	230
Expense Fund	360	360	180	180
Millage and Travel	0	0	0	169
Total Planning and Zoning	7,160	7,160	5,738	1,591
Board of Appeals:				
Salaries and Wages	10,800	10,800	10,757	43
Education	1,200	1,200	826	374
Retirement	1,000	1,000	598	402
Total Board of Appeals	13,000	13,000	12,181	819
Total Public Safety	92,185	92,185	48,380	43,974
Public Works:				
Street Lighting	12,000	12,000	10,541	1,459
Road Construction	136,800	136,800	24,899	111,901
Garbage Collection	90,000	90,000	77,307	12,693
Total Public Works	238,800	238,800	112,747	126,053
Total Expenditures	590,460	590,460	327,127	263,502
Excess Revenues	(266,060)	(266,060)	196,637	(64,138)
Fund Balance - Beginning of Year			1,529,172	
Prior Period Adjustment			0	
Fund Balance - End of Year			<u>\$1,725,809</u>	

The footnotes are an integral part of these Financial Statements.

Special Revenue Fund

MANISTEE TOWNSHIP
Balance Sheet
Liquor Law Enforcement Fund
As Of March 31, 2005

Assets

Cash	<u>\$1,969</u>
------	----------------

Liabilities & Fund Equity

Fund Balance	<u>\$1,969</u>
--------------	----------------

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP
Statement of Revenues, Expenditures & Changes in Fund Balance
Budget vs. Actual
Liquor Law Enforcement Fund
For The Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<u>Revenues</u>			
License Fees	\$900	\$0	(\$900)
<u>Expenditures</u>			
Liquor Inspector	1,050	1,020	30
Excess Revenue (Expenditures)	(150)	(1,020)	(1,170)
Fund Balance - Beginning of Year		2,989	
Fund Balance - End of Year		<u>\$1,969</u>	

The footnotes are an integral part of these Financial Statements.